



# USDA Rural Development - Texas Manufactured Housing 502 Direct Loan Program

**Definition** - Manufactured homes are built to different construction standards and codes and have different inspection requirements than those manufactured structures generally referred to as “modular” or “panelized” homes. The major difference between manufactured homes and modular or panelized homes is the construction standard or code to which they are built and the inspection requirements. Modular or panelized homes, as described in Exhibit B of RD Instruction 1924-A, are not affected by the requirements of this section.

**Authorized Loan Purposes** - When a real estate mortgage or deed of trust covers the unit and the site, Section 502 loans may be used to finance the following:

- (1) Site development work that conforms to the requirements of RD Instruction 1924-A;
- (2) Purchase of an eligible new unit, transportation and set-up costs, and purchase of an eligible site if not already owned by the applicant;
- (3) Subsequent loans for equity or repair in conjunction with an assumption or Real Estate Owned (REO) sale; and
- (4) Subsequent loans for repair of units that are financed with Section 502 loans.

**Approved Dealer Contractors** - A Manufactured Housing entity must become an “Approved Dealer Contractor” that will provide complete sales, service, and site development services before they can participate in the USDA Rural Development section 502-loan program. They may apply to become an approved dealer-contractor by submitting Form RD 1944-5, Manufactured Housing Dealer-Contractor Application (Revised 12/98), and a current financial statement prepared by a public accountant and certified by the dealer-contractor. To qualify to participate, a dealer-contractor must be:

- (1) Financially responsible. There is a \$40.00 credit report fee charged for a commercial credit report and a \$28.00 fee for individual credit reports for each individual owner of the business.

- (2) Qualified and equipped to set up the unit on a site-built permanent foundation and develop the site
- (3) Willing to provide a warranty acceptable to the Agency.

**Approved Dealer Contractor Applications and supporting documentation must be submitted to the USDA Rural Development office serving the county where the entity headquarters is located.**

Other Approved Dealer Contractor requirements may be found in the USDA Field Office Handbook HB-1-3550 9.17.

**Submission Requirements** -In addition to the documents required for a standard Section 502 loan, the applicant must submit the following before the loan can be approved:

- (1) A plot plan and site development plan as described under RD Instruction 1924-A; An itemized cost breakdown of the total package, including the base unit, eligible options, site development, installation, set up, lot costs, and any credit for wheels and axles;
- (2) A statement signed by the dealer-contractor indicating that any cash payment or rebate as a result of the purchase will be deducted from the price of the unit and not paid to the applicant; and
- (3) A statement signed by the dealer-contractor that the proposed cost is the full price of the unit and all development activities, and if furniture is being purchased by the applicant with other funds, that a lien will not be filed against the Agency’s security property.

**Loan Term and Interest Rates:** Loans have a 30-year term. Interest rates would be the same as other program 502 loans.

**Loan Restrictions** – The Agency will not use Section 502 loan funds to finance:

- (1) The purchase of an existing unit and site, unless the property is already financed with a Section 502 loan or is Agency REO property;
- (2) The purchase of a site without also financing the unit;

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

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- (3) A unit that does not meet Federal Manufactured Home Construction and Safety Standards (FMHCSS)
- (4) Alteration or remodeling of the unit when the initial loan is made.
- (5) Furniture, including movable articles of personal property such as drapes, beds, bedding, chairs, sofas, divans, lamps, tables, televisions, radios, stereo sets, and other similar items of personal property. Furniture does not include wall-to-wall carpeting, refrigerators, ovens, ranges, washing machines, clothes dryers, heating or cooling equipment, or other similar items.

**Loan Closing** -When the loan closes, the unit and site must be taxed as real estate by the jurisdiction in which it is located. The Approved Dealer Contractor must provide Form 1924-10, Release by Claimants, except for the manufacturer of the unit. The manufacturer of the unit must furnish an executed manufacturer's certificate of origin indicating that the unit is free and clear of all legal encumbrances. All firms furnishing materials or labor in connection with the contract must sign Form RD 1924-10 and the manufacturer's certificate of origin should be filed in the case file.

**Site** -Site development and set up must conform to Exhibit J of RD Instruction 1924-A, and the environmental requirements of RD Instruction 1940-G must be met.

**Foundation** – A registered Engineer or Architect must certify foundation designs for Manufactured Housing as complying with the HUD Permanent Foundation Guide for Manufactured Housing  
HUD - 007487.

**Thermal Requirements** – All Manufactured Homes financed in Texas through USDA Rural Development must have a FMHCSS U<sub>o</sub> Value Zone 2 or higher (except for the following counties: (Cameron, Hidalgo, Kenedy, Kleberg, Starr, Willacy and Zapata) which must have a FMHCSS U<sub>o</sub> Value Zone 1 or higher).

**Models** – To qualify for the section 502 SFH program a Manufactured Home unit must be new. The unit must meet the requirements for new dwellings contained in HB-1-3550 Section 2 of Chapter 5 and must have a floor area of 400 square feet or more, and a width of 12 feet or more

for a single-wide unit, and 20 feet or more for a double-wide unit. USDA – Rural Development no longer approves individual Manufactured Home models. See RD AN Thermal Requirements for Manufactured Housing

**Warranty** - A dealer-contractor must provide the borrower with a warranty in accordance with the provisions of RD Instruction 1924-A. The warranty must identify the unit by serial number. The dealer-contractor must certify that the unit substantially complies with the plans and specifications, and the home has sustained no hidden damage during transportation. If the home was manufactured in separate sections, the dealer-contractor also should certify that the sections were properly joined and sealed according to the manufacturer's specifications. The dealer-contractor must furnish the applicant with a copy of all manufacturers' warranties.

This handout is intended only as a summary of the Manufactured Housing direct Section 502 Homeownership Loan program. More information on the direct Section 502 Homeownership Loan program can be found in Instruction HB-1-3550.

<http://www.rurdev.usda.gov/regs/hblist.html#hb1>

Manufactured Housing information is available in HB-1-3550 Section 3 (9.16- 9.20) and 7 CFR 3550.73

<http://www.rurdev.usda.gov/regs/handbook/hb-1-3550/1chap09.pdf>

**Local Office telephone number and addresses may be located at**

<http://www.rurdev.usda.gov/tx/officeinfo.htm>

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